



**Canadian Poultry and Egg Processors Council**  
**Conseil canadien des transformateurs d'oeufs et de volailles**

Ottawa, July 30<sup>th</sup>, 2015

*Sent by email*

Ms. Nathalie Vanasse  
Registrar  
Farm Products Council of Canada  
960 Carling Avenue, Building 59  
Ottawa, Ontario K1A 0C6

Subject: OBHECC Complaint

Dear Ms. Vanasse,

The Canadian Hatchery Federation (CHF) is the national organization representing broiler, leghorn and turkey hatcheries in Canada. The CHF Members represent more than 90% of hatching eggs set in Canada. The CHF appoints two (2) directors on the Canadian Hatching Egg Producers (CHEP) board of directors to represent the broiler hatcheries.

The CHF board of directors reviewed the documents submitted by OBHECC regarding the complaint and would like to make the following comments:

1. Both national and provincial allocations are very important to hatcheries. The national allocation is important to hatcheries as it is the basis of the hatching egg allocation in each province. CHF has a representative on CHEP's advisory committee. It's essential to set the right national allocation in order for hatcheries to receive the appropriate level of supply both domestically and from imports. Ultimately, the goal is to supply the broiler producers.

The provincial allocations are also very important to hatcheries. After setting the national allocation, a formula is used to determine the provincial allocations. The formula is based on the chicken production in each province in the last 52 weeks. But there are several factors that complicate the use of domestic and imported products for hatcheries. For instance, the fact that the Atlantic Provinces are not part of CHEP and have been regularly producing more than the allocation calculated by CHEP. The interprovincial movement of chicks is another issue.

Any change that could be made on how the national allocation and/or provincial allocations are set will have an impact on hatcheries and it's essential that hatcheries be part of the discussions.

2. One of the main principles of supply management is that production is limited. For CHF, it's very concerning to read in the OBHECC submission that "[...] there is currently no LDA in place for hatching eggs in Canada [...]" (page 4, second paragraph of the OBHECC submission, dated July 8, 2015). At the most recent CHEP board of directors open meeting, it was mentioned that there was no quota lease pool for 2015 but there was no mention regarding the absence of LDA. One of the provincial director mentioned at that meeting that they had a different understanding but there was no additional discussion and therefore we are unsure as to the exact status of the LDA.

The supply management system is based on three pillars and the control of the production is one of them. It's imperative that this situation be clarified, and fixed if necessary, as soon as possible for the benefit of the whole industry.

In the OBHECC submission, there is only reference to the over-marketing issue. From the CHF perspective, it is very important to consider the issue of under-marketing as well. In the last five years, at the national level, CHEP provinces have been very close to the allocation only in 2013 and 2014, producing respectively 99.97% and 99.50% of their allocations. For the previous three (3) years, the percentage was lower.

On occasion, during this period, some provinces didn't produce their allocation by several points of percentage. The lowest provincial utilization rate was 88.56% in 2014.

	CHEP Provinces	Total Canada
2010	96.20%	97.29%
2011	96.01%	97.03%
2012	97.50%	98.90%
2013	99.97%	100.63%
2014	99.50%	100.69%

*Source: LDA Reports, CHEP*

The solution to over and under-marketings is at least partially related. As explained by OBHECC in its submission, the quota lease pool allows some provinces that are not producing their allocation to lease quota to a province that will produce more than their allocation. If production in each province is close to the allocation, there will be no quota to lease from "under-producing provinces".

For hatcheries, when the allocation is not produced it means that they have to find another way to get the supply they need to meet the demand of the broiler producers. From our perspective and based on the data shown in the table above, the under-marketing is at least as important as the issue of over-marketing and the under-marketing issue should not be ignored.

3. From our perspective, it is very important that the hatching egg production system be flexible. Several factors can affect hatching egg production: productivity, diseases, external circumstances (weather related, fires, etc.). It is also important to remember that the birds are placed for a very long period (60 + weeks) and will not produce eggs for the first 24

weeks of their life. So when placing the birds, it is very difficult to know precisely what the chicken allocation will be when the eggs are produced and as a result what the chick demand will be. Another factor to consider is that the CHEP allocation is revised several times. The final allocation happens in July of each year. So it seems very important to provide some flexibility for provinces to be able to produce their allocation. If there is no flexibility, there is a significant risk that the allocation will not be produced and the under-utilization shown in table 1 could be greater.

However, the system will work efficiently when the production in each province is close to the allocation. The mechanism that could be implemented needs to be flexible and be available to be used by the different provinces. From our perspective, if some provinces are regularly in a situation of over or under-allocation, this demonstrates that the system is not working and improvements must be considered.

4. Finally, CHF wants to reinforce that the system is based on two (2) supply sources: 80% (actual number 82.57%) is domestic supply and 20% (actual number 17.43%) is imports. It is important for hatcheries that this split be maintained at the national level. All provincial allocations are also based on this split and it should also be the target at the provincial level. At the hatchery level, we acknowledge that it's more difficult to attain, but from a competitive perspective, it's important that all hatcheries be as close as possible to this split.

As explained in this letter, the OBHECC complaint directly affects all hatcheries as buyers of hatching eggs in the different provinces and any new mechanism that could be implemented as a result of this complaint will very likely have an impact on hatcheries. As a result, we request intervener status in this complaint in order for CHF to provide input from the hatcheries' perspective. Nicolas Paillat and/or myself would represent CHF.

Should you require additional details, please do not hesitate to contact me.

Sincerely,



K. Robin Horel  
President & CEO

Copy: H l ne Devost, FPCC  
William Bearss, Chair OBHECC  
Bob Guy, General Manager, OBHECC  
Jack Greydanus, Chair, CHEP  
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